

Message Text

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43

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 STR-04 AID-05

CIAE-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC 5871

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMCONSUL GUAYAQUIL

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY SANTIAGO

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E.O. 11652: N/A

TAGS: BEXP, ECON, ETRD, EFIN, EC

SUBJECT: ECUADOR IMPOSES TEMPORARY BAN ON VEHICLE IMPORTS

REFS: (A) QUITO 3177 (B) QUITO 3816 (C) QUITO 3870

1. AFTER MEETING BY MONETARY BOARD, GOE ANNOUNCED ON JUNE 3 ITS DECISION TO SUSPEND IMPORTATION OF LARGE VARIETY OF MOTOR VEHICLES FOR THREE-MONTH PERIOD JUNE 2 TO AUGUST 31, 1975. LOCAL PRESS, QUOTING FROM BOARD DECREE NO. 774, LISTS FOLLOWING VEHICLES AS AFFECTED BY DECISION: AL AUTOMOBILES; 4-WHEEL DRIVE VEHICLES OF THE BLAZER TYPE WITH CIF VALUE OVER US\$ 5,500 (137,000 SUCRES); COMBINED VEHICLES FOR PASSENGER AND CARGO WITH EITHER DOUBLE CABIN OR CARGO BOX; PASSENGER VEHICLES WITH 10 OR MORE SEATS; AND ALL CARGO VEHICLES WITH A CAPACITY OF LESS THAN 1 TON. DECISION WAS ANNOUNCED SIMULTANEOUSLY WITH THAT TO RESTRICT COMMERCIAL CREDIT (BEGIN REPORTED BY SEPTTEL). IN EXPLAINING MOVE TO PUBLIC, UNCLASSIFIED

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BOARD CHOSE TO STRESS AS REASON FOR DECISION QUOTE

SERIOUS PROBLEMS IN PORT AND CUSTOMS ADMINISTRATION
UNQUOTE AND TO DOWNPLAY PROBLEM OF REDUCTION OF ECUADOR'S
RESERVES AND MERCHANDISE TRADE DEFICIT.

2. PUBLIC REACTION THUS FAR HAS BEEN MIXED.
QUITO'S LEADING DAILY, EL COMERCIO,
RAN EDITORIAL IN JUNE 4 ISSUE WHICH DEPLORED DROP IN
PETROLEUM EXPORTS AND RESULTING UNFAVORABLE TRADE BALANCE
AND CALLED FOR REDUCTION OF LUXURY IMPORTS NOT COMPATIBLE
WITH PROGRAM OF AUSTERITY. EDITORIAL, WHICH APPEARED
SAME MORNING AS GOE ANNOUNCEMENT OF RESTRICTIONS, DID
NOT MENTION LATTER. PRIVATE IMPORTERS AND TRADESMEN
HAVE VOICED MILD CRITICISM OF BOTH VEHICLE BAND AND
CREDIT SQUEEZE. VEHICLE IMPORTERS, LED BY ECUADOREAN
AUTOMOTIVE ASSOCIATION, HAVE NATURALLY BEEN STRONGEST
CRITICS OF THE MEASURE, WITH CLAIM THAT VEHICLE IMPORTS
REPRESENTED ONLY MINOR PERCENTAGE OF TOTAL IMPORTS.
TO SOOTHE ANY RUFFLED CONSUMER FEELINGS, GOE HAD ANNOUNCED
BY THE END OF THE WEEK THAT IT WOULD ADOPT MEASURES TO
PREVENT VEHICLE PRICE INCREASES, IMPOSING FINES ON
SELLERS AS HIGH AS 500 PERCENT ON EXCESS PROFITS.
PROFITS MUST BE LIMITED TO 25 PERCENT OF THE DUTY-PAID
VALUE OF NEW AND USED VEHICLES IMPORTED IN PAST TWO YEARS
UP TO JUNE 3, 1975.

3. SPECULATION CONTINUES AS TO GOE'S INTENTIONS UPON
LAPSE OF THREE-MONTH BAN. ONE SOURCE COMMENTED THAT
BAN WAS REALLY AIMED AT SHOWING BIDDERS FOR ECUADOR'S
AUTOMOTIVE ASSEMBLY PLANT PROGRAM THAT SUCH A PLANT
WAS NEEDED, AND THAT FOR THIS REASON BAN WOULD CONTINUE.
MORE PLAUSIBLE, HOWEVER, IS CENTRAL BANK OFFICIAL'S
STATEMENT THAT BAN WOULD BE LIFTED ON SCHEDULE BUT THAT
IMPORT DUTIES WOULD BE RAISED.

4. EFFECT ON U.S. VEHICLE IMPORTS: ACCORDING TO
ECUADOREAN IMPORT STATISTICS FOR 1973, CIF VALUE OF ALL
VEHICLE IMPORTS FOR THAT YEAR WAS US \$16.5 MILLION, OF
WHICH U.S. ACCOUNTED FOR \$5.9 MILLION, OR 36.1 PERCENT.
OF TOTAL, U.S. HAD ONLY ESTIMATED 10 PERCENT OF PASSENGER
CAR MARKET. NO RELIABLE FIGURES ARE AVAILABLE FOR 1974
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AND EARLY 1975 VEHICLE IMPORTS, BUT THESE MOST LIKELY
DOUBLED OVER 1973, IN SAME PROPORTION AS TOTAL VALUE OF
IMPORTS. TEMPORARY BAN OF PRIVATE AND SOME
COMMERCIAL VEHICLES SHOULD NOT EFFECT GOVERNMENT PUR-
CHASES, SUCH AS US \$24 MILLION SALE OF MILITARY VEHICLES
TO MINISTRY OF DEFENSE IN NOVEMBER 1974 BY FORD MOTOR
COMPANY.
HEMENWAY

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